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SUBJECT: SWISS VOTE TO EXTEND FREE MOVEMENT OF PERSONS WITH  
EU, CURTAIL TAX BREAKS FOR WEALTHY FOREIGNERS, AND EXPAND  
WEF MEETING VENUE IN DAVOS

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EU-SWITZERLAND "FREE MOVEMENT OF PERSONS"  
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[¶1.](#) In a nationwide referendum held February 8, nearly 60 percent of the Swiss electorate voted in favor of maintaining an existing agreement with 25 EU states allowing for the free movement of persons, while also extending that agreement to include the newest EU member states, Bulgaria and Romania. While the referendum had been expected to pass, the margin in favor was larger than anticipated for what has been a divisive political issue within Switzerland. In the run-up to the referendum, the rightist Swiss People's Party (SVP) conducted a major public campaign calling for the Swiss electorate to vote "no", arguing that the question of broadening the agreement to include Bulgaria and Romania should not have been linked to the question of maintaining the existing agreement. In its campaign, the SVP alleged that extending the agreement would lead to lower Swiss salaries, increased unemployment, and higher crime.

[¶2.](#) Confronted with such high-profile opposition to the agreement, the Swiss government drew on the support of key industries and major political parties (except the SVP) in its advocacy of the extension, describing the agreement with the EU Q- Switzerland's most important trading partner -- as crucial for the Swiss economy and for the export sectors in particular. Majorities in 22 out of 26 cantons supported the referendum. The strongest opposition came from Ticino, where voters seemed to be particularly concerned with the canton's economic and social interdependence with Milan.

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ZURICH TO ELIMINATE "LUMP SUM" TAX  
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[¶3.](#) In a cantonal referendum held also on February 8, nearly 53 percent of Zurich's voters unexpectedly called for the elimination of the special "lump sum" taxation reserved for wealthy foreigners living in Zurich but not employed in Switzerland. In Zurich and some other Swiss cantons, wealthy foreigners have the opportunity to negotiate a confidential tax fee with local authorities based on their expenditures, instead of paying income tax, provided that they do not work in Switzerland. The center-left political parties' in Zurich proposed the elimination of this tax option that benefits some wealthy foreigners. The center-right political parties opposed the proposal, arguing that Zurich would lose revenue to other cantons if it eliminates the lump sum tax. The referendum result obliges cantonal authorities to change Zurich's tax laws. According to press reporting, the parties in favor of the change hope that the outcome will now send a signal to the rest of Switzerland. Approximately 140 foreign residents reportedly utilize the lump sum tax option in Zurich.

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DAVOS VOTERS APPROVE KONGRESS CENTER EXPANSION  
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[¶4.](#) The citizens of the mountain resort community of Davos confirmed the importance of the World Economic Forum (WEF) Annual Meeting for their local economy by voting in favor

of a USD 33 million extension of the convention facilities ("Kongress Center") used each January for the WEF gathering (Davos itself reportedly is to cover USD 24 million of the cost). Spokesmen for the project estimate the construction work will start in Spring 2009 and should be finished by the end of 2010. Convention tourism has become a key source of revenue for Davos, creating approximately 600 jobs and earning the region USD 53 million in 2007. The WEF Annual Meeting, being Davos's most high-profile gathering, accounts for 27,000 overnight stays during the course of each session. The WEF reportedly has committed to holding its annual meeting in Davos for at least ten years after the extension of the convention center.

CARTER